NSC BRIEFING

30 December 1953

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PROBLEMS IN MIDDLE EAST OIL

Re-entry of Iranian oil on world market will accelerate trend among Arab oil producing states to seek revision of contracts with oil companies to ensure against drop in oil revenues should Iranian oil flow again. Local disputes between Arab oil producers will continue, but tendency will be to attempt to force oil companies to pay more revenues to all Arab states concerned.

I. <u>Intra-Arab problem</u>

A. Currently Syria, Lebanon, and to lesser degree Jordan, are all pressing for extensive revenue increases from pipe lines which cross their territory en route to Mediterranean.

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1. These nonproducing states have put forth ingenuous theory that profits from oil should be shared equally regardless of whether oil flows vertically or horizontally.

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[redacted]

B. TAPLINE, owned by ARAMCO, and pipelines of Iraq Petroleum Company (IPC) are two companies directly affected in this situation. The major attack is against IPC in Syria, and concessions won there will be wrung out of TAPLINE by Lebanon.

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C. Demands of these nonproducing states included under complicated formula demand to "share the profits" resulting from saving to oil companies realized by use of pipeline over tankers. Impossible to estimate extent to which these states will go to enforce their demands. Dictator Shishakli of Syria is capable of intemperate action. Probably Arabs will attempt to force oil companies to provide out of their share of profits much of what is demanded by nonproducing states.

D. Saudi Arabia's disputes with British-backed sultan of Muscat and with shaikh of Qatar (head of Persian Gulf) involve prestige not only of all concerned but also involve potentially new oil producing areas.

E. Dispute between British-controlled Aden and Yemen at mouth of Red Sea likewise inyolves territorial disputes which include a possible oil area.

F. Both disputes probably will continue unresolved since no evidence that Arabs involved ready to make any significant concessions.

II. Arabs' demands for larger shares.

A. Despite large revenues--Saudi Arabia about $200,000,000; Iraq $95,000,000; Kuwait nearly $150,000,000--all want more income--Saudi Arabia is perenially broke and Iraq is involved in elaborate Five-Year Development Plan. Shaikh of Bahrein with small revenues has prospects of decreasing income. Only Shaikh of Kuwait at this point may be satisfied.

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C. Demands probably will be for revision of pricing system of the 50-50 agreement or arrangements by which companies assume additional expense and obligations in connection with operations in these areas. These additional services, such as enlarged local facilities and subsidies to police and students, presumably to come out of company's share of profits.

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III. Possibility of expropriation

A. [redacted] 25X1

B. Despite consequences in Iran, which have been carefully watched by Arab oil states, possibility exists that local governments will use threat of abrogation of contract on recalcitrant companies.

[redacted]

C. Saudi Arabia, [redacted] constantly pressed for more income. Government accordingly will put on strong pressure for more revenue from oil. Oil company officials have some fear that the new king will become interested in oil nationalization. In Iraq smoldering ultranationalism may force government at any time to adopt tougher line with IPC. In any event, Iraq will insist on equal treatment with Saudi Arabia. Kuwait will tend to support and be guided by actions of its two larger neighbors, even though it cannot use the revenues already accruing.

[redacted]

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SIDELIGHTS

1. About 54 percent of proven reserves of world's oil are in Middle East.

2. Present proven reserves in Saudi Arabia alone amount to 27½ billion barrels--equivalent to one million barrels daily production for 75 years.

3. Demands on ARAMCO exemplified by a recent visit of King Saud (at that time Crown Prince) when ARAMCO put up an entourage of 400 and fed 2,500 extra individuals for a week.

4. Several of younger princes visited Europe for a few months this past year.

[redacted]

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5. In discussing possible cutbacks in connection with return of Iranian oil, Saudi officials made it clear they thought cuts should be made in Kuwait.

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PROBLEMS IN MIDDLE EAST OIL

SOME OIL STATISTICS

Before nationalization Iran's daily production averaged some 600,000 barrels.

At present principal Arab states are producing:

Kuwait	- 870,000 barrels a day	
Saudi Arabia	- 850,000 " " "	
Iraq	- 540,000 " " "	

Arab crude production	1952 (barrels per yr.)	1949 (barrels per yr.)
Saudi Arabia	301,861,000	179,008,000
Kuwait	273,439,000	90,000,000
Iraq	140,663,000	30,957,000
Qatar	25,249,000	750,000
Egypt	16,373,000	15,997,000
Bahrein	11,004,000	10,985,000
Iran	7,777,000	204,712,000 242,919,000 in 1950, the last year of full production

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Pipelines to the Mediterranean

A. Trans-Arabian Pipeline Company (TAPLINE)

from Saudi Arabia to Sidon, Lebanon

Size	Length	Capacity
30-31 in.	754 miles	310,000 BPD

B. Iraq Petroleum Company

Kirkuk - Tripoli, Lebanon

Size	Length	Capacity
16 in.	532 miles	160,000 BPD

Kirkuk - Banias, Syria

Size	Length	Capacity
30-32 in.	556 miles	500,000 (for Jan.54)

Kirkuk - Haifa, Israel (inoperative for political reasons)

Size	Length,	Capacity
10-12 in.	619 miles	84,000 BPD
16 (incomplete)		146,000 BPD

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(IPC is prepared to divert the Kirkuk-Haifa line to an Arab Mediterranean port.)

Possible line: Zubair-Banias

Length	Capacity
800 miles	730,000 BPD

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